Utility/Marketer Partnerships in New York State

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Presenter:
John Smigelski
Community Energy Inc.

Outline

- Overview of the Challenge and Value Proposition

- Considerations in developing partnerships

- Partnerships in New York State

- Focus on three:
  - NYSEG
  - ConEdison Solutions
  - Niagara Mohawk

- Results

- Marketing Support provided by NYSERDA

Overview of the Challenge:

- Combining the strengths and interests of the green marketer with those of the utility and to ignite customer demand for wind energy
  - After the first year, customers in New York State are supporting over 24 MW's of wind capacity
- CEI goal is to generate the demand that enables the construction of new wind farms in NYS

Utility Perspective: Why do a program?

- Improve Customer Satisfaction

- Enhanced brand identity (innovative, environmental leadership, customer focused)

- Gain experience with little cost or risk
  - Promote development of renewable energy

- Obtain positive PR

- Earn Regulatory/political benefits

Why work with a utility?

- CEI Mission Statement:

  - **Ignite the market and develop new wind resources**

- Utility have excellent reputation for service and reliability

- Utility has excellent access to customers

- Utility partnership program creates excitement in the market

What CEI brings to the partnership

- NATIONAL EXPERTISE

  - Market Research

  - Environmental Community Acceptance

  - Product Positioning and Pricing

  - Tailored Messages

  - Material Development

  - Corporate Sales Process

- Flexible Approach

Partnership Challenges

- Different Corporate Culture
  - Large versus small organization
- Different Overall missions and agenda
  - Small part of a utility's focus; CEI main focus
  - Utility values and is protective of its brand
- Regulatory issues: How is this viewed?
- Integrating sales staff
- Back office capabilities

Brand: Comparison and Linkage

• **Utility Identity:** Large, Reliable, Reputable, Credit Worthy, Stable, May Not have strong environmental reputation

• **Community Energy Identity**: Green & focused, Entrepreneurial, Small, Community Oriented, Reputable, Environmental credibility

• **CEI Brand supports Utility Brand:** Combined Brand Identity is greater than the sum of the parts!

- •Utility adds credibility to the product
- •CEI adds green
- •Green product adds to the utility image

Customer Purchases Drives New Wind Farms

- Wind energy production cost exceeds the NYISO prices

- Residential and non residential purchases provide a revenue stream for the wind farm

- Additional Revenue supports the development of the significant wind resources in New York State

NYSEG/CEI Model

- True Partnership
    - Joint Supply Agreement
        - Share risk and reward
    - Shared Margins
    - Coordinated Marketing and Pricing
    - Co Branding of program and product
    - Shared marketing materials and Joint Sales Calls
    - Targeting of all customer segments
        - Non Residential customers are an important segment

NYSEG Model Allows Flexible Plan

- Bill Inserts

- Radio Ads, Press events

- Home Shows,

- Community events and fairs

- Press Events

- Cooperative Marketing Programs

- Program design includes all customers

Catch the wind with NEW WIND ENERGY

an exciting opportunity for you from NYSEG
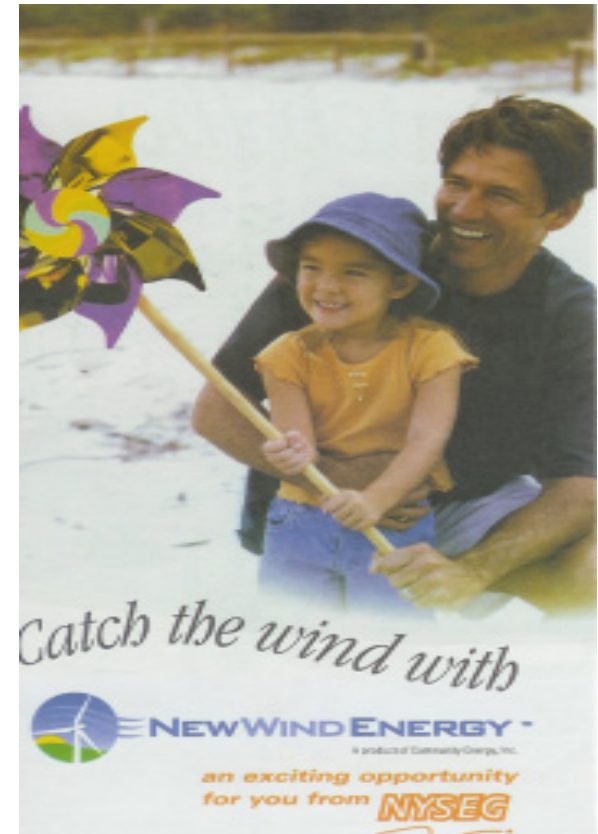
Upstate NY Customers

Government

➤ GSA Federal Office Buildings in Binghamton and Utica

➤ Village of Croton on the Hudson

➤ Village of Newcastle

➤ Village of Woodstock

Corporate

➤ G. W. Lisk

➤ Sealing Devices

➤ Penguin Putnam Inc.

➤ Husky Injection Molding

➤ Mohawk Paper

Small Business

➤ GreenStar Food Cooperative

➤ Snow Lion Publications

➤ Tom's Gifts Binghamton

➤ Plainsville Turkey Farms

➤ Wagner's Winery

Universities and Colleges

➤ Hobart and William Smith Colleges

➤ University of Buffalo

➤ Union College

ConEdison Solutions Program

- ConEdison Solutions is an ESCO operating primarily in the Con Edison and O & R territories
- Competitive Supplier Partnership
  - Co Marketing agreement
  - Close to the NYSEG Model
  - ESCO's are more focused on C & I customers
- Dual marketing approach
  - Focus on wind product for existing customers
  - Focus on wind energy as a switching tool

Program Details

-Program started during the summer

-Primary focus was Commercial and Institutions; Potential commodity savings used to offset wind premium

- 20,000 MWh of NewWind® under contract within 5 months

-Formal program launch in November

Niagara Mohawk Program

- Open Program approach
  - Renewable program required by merger
  - Open to all registered environmental ESCO's
    - 3 Competitors year 1, 4 competitors in year 2
  - Niagara Mohawk promotes program not participants or products
  - Not a partnership: no shared margins,marketing message, etc.

Niagara Mohawk Program Features

– Niagara Mohawk handles billing and receivables

– Green Marketers are free to offer any product:

- Wind, hydro, bio-energy, etc.

- Wind is the most expensive renewable but the only one that can be developed with customer support

– Customer purchases show preference for wind but are sensitive to price

NYS Results: Ignited Demand!

- Three major programs were launched in the state. NewWind Energy® available Statewide!

- Within the first 6 months of the program green marketing was supporting over 12 MW's of capacity compared to the first year goal of 10 MW's

- Current goal is to support an additional 25MW's

- In 2004 marketing program will require new wind capacity!

Why CEI Partnerships work?

- CEI develops flexible "wind" partnerships
  - Best results are partners that:
    - endorse concept that new regional wind farms are assets
    - have a genuine interest in providing customers a wind energy option
- CEI does not compete for utility or ESCO customers;
- ESCO's can focus on growth, utility's can focus on customer relationship
- Utility brand and sales channels enable cost effective approach to all classes of customers.
  - On the bill feature important for product credibility and customer convenience